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HOUSE OF REPRESENTATIVES

REPORT
99-293

TEXTILE AND APPAREL TRADE ENFORCEMENT ACT OF 1985

SEPTEMBER 30, 1985.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 1562]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 1562) to achieve the objectives of the Multi-Fiber Arrangement and to promote the economic recovery of the U.S. textile and apparel industry and its workers, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

BACKGROUND AND SUMMARY

Imports of textiles and apparel increased 104% in value from 1980 to 1984, reaching a record $17.5 billion. Domestic consumption of textiles and apparel during this period increased only 28%, while U.S. producers' shipments increased only 18%. With imports growing substantially faster than domestic consumption, imports captured ever-increasing shares of the U.S. market. By 1984, imported textiles and apparel accounted for 14% of the U.S. market by value, and 21.6% of all cotton, wool and manmade fibers consumed by weight.

Exports of textile and apparel, meanwhile, declined 34% during the period 1980–1984. By 1984, imports exceeded exports of textiles and apparel by $14.8 billion, or 12% of the total U.S. merchandise trade deficit.

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The U.S. fiber, textile, and apparel industries together form one of our nation's largest industrial employers, employing one of every ten Americans in manufacturing. Furthermore, the fiber/textile/apparel complex is the largest manufacturing employer of women and minority workers. Last year, 1,955,000 Americans were employed in the textile and apparel industries—down from 2,111,000 workers in 1980. During the last quarter of 1984 and the first half of 1985, employment dropped even further, as numerous plant closings forced the number of workers down to 1,876,000. Employment in the apparel sector now stands at 1,167,000. Employment in the textile mill product sector stands at 709,000—its lowest level since 1939.

In light of rapidly increasing imports, and declining domestic employment, certain members of the Congressional Textile Caucus felt the need for legislative action to control the growth of textile imports in the U.S. market, and to stimulate the recovery of the domestic textile and apparel industries. On April 19, 1985, H.R. 1562, the Textile and Apparel Trade Enforcement Act of 1985, was introduced in the House of Representatives. After consideration by the Subcommittee on Trade and the full Committee on Ways and Means, it is hereby favorably reported for consideration by the full House.

The purposes of the Textile and Apparel Trade Enforcement Act of 1985, are to achieve the objectives of the Multi-Fiber Arrangement to promote the economic recovery of the United States textile and apparel industry and its workers.

The legislation establishes permanent import quotas for imports of all textiles and textile products from all countries except Canada and certain member states of the European Economic Community. The bill sets forth a statutory scheme of separate import quotas for individual product categories applicable to imports from each affected supplier country. Different formulae apply to determine the permissible levels of imports in any specific product category, depending on whether the product is from a "major exporting country" or a smaller "exporting country", whether it is a wool product or an import sensitive product, and whether it was subject to a growth rate of less than 6% under the terms of an existing bilateral textile agreement.

All countries which export textiles or textile products to the United States, except Canada and member states of the European Economic Community (EEC) as of January 1, 1985, would be subject to the bill and characterized either as a "major exporting country" or an "exporting country". Under the definition set forth in the bill, any country which supplied 1.25% or more of total U.S. imports of textiles and textile products during 1984, except for countries in the Caribbean region, would be considered a "major exporting country". All other countries would be considered "exporting countries". Mexico and the Caribbean Basin countries are excluded from ever becoming "major exporting countries". All other countries, however, are subject to a provision graduating them to "major exporting country" status once imports from such countries increase to the standard set forth in the bill.

Import quotas and growth rates for "exporting countries" are much more liberal than those for "major exporting countries. Im-

ports from the "major exporting countries" would essentially be rolled back to levels that would have resulted if imports from these countries had been restricted to 6% annual growth from 1980 to 1984, and 1% growth from 1984 to 1985. Future growth would be limited to 1% annually for all products.

Imports from "exporting countries", on the other hand, are allowed to increase 15% in 1985 over actual 1984 levels, except for import-sensitive products, which are allowed to increase only 1% over actual 1984 levels. Future growth rates are 6% annually for all products except import-sensitive products, and 1% annually for import-senstitive products. Imports from Mexico and the Caribbean Basin countries are permanently excluded from the definition of import sensitive categories, and therefore would always be subject to an annual growth rate of 6%.

The product coverage of the bill extends to all textiles and textile manufactured products, including many fibers and products which are not currently subject to the textile quota program. The bill applies to products made in whole or in part from any natural or manmade fiber, including silk, ramie, linen, and jute. Current textile restrictions only apply to products of cotton, wool, and manmade fibers. Furthermore, the bill applies to many manufactured products not currently considered textile products under the quota program, such as raw man-made fibers, parachutes, furniture of textile materials, sporting goods, stuffed dolls, and artificial flowers. These products would be subject to new categorization and automatic quota restrictions.

All imports of textiles and textile products, including those from Canada and member states of the European Economic Community, are subject to an import licensing requirement under the bill. Importers will be required to present import permits as a condition of entry of textile goods into the United States. The Secretary of Commerce is directed to establish and administer the import licensing system within six months of enactment, and to charge a fee for the import licenses to cover the cost of the system.

Finally, the bill requires the President to submit a report to Congress annually on the administration of the Act.

COMMITTEE ACTION

H.R. 1562 was introduced on March 19, 1985 by Congressman Ed Jenkins for himself and 128 other Members of Congress. The legislation was referred to the Committee on Ways and Means, where it was referred to the Subcommittee on Trade.

On April 3, 1985 the Subcommittee on Trade began hearings on current conditions in the textile and apparel industries and on legislative proposals to regulate trade in textile products, including H.R. 1562, the Textile and Apparel Trade Enforcement Act of 1985. The purpose of the hearings was to review the competitive posture of our domestic textile and apparel industries in world markets, and to examine our current laws and policies regulating international trade in textile products.

The hearings addressed a broad spectrum of issues, including U.S. implementation of the Multi-Fiber Arrangement, recent trends in import competition, and efforts by domestic manufactur-

ers to remain globally competitive. Current laws and policies regulating textile trade were also reviewed. All witnesses were asked specifically to comment on H.R. 1562, the Textile and Apparel Trade Enforcement Act of 1985.

The first day of hearings included testimony from the Executive branch, represented by the Chief Textile Negotiator, the Chairman of the Committee for the Implementation of Textile Agreements and Deputy Assistant Secretary of Commerce for Textiles and Apparel, and a U.S. Customs Service official. The Subcommittee also heard testimony by industry analysts, representatives of major trade associations and labor unions involved in the fiber/textile/apparel sector, and representatives of importers, retailers, and consumer organizations.

For the second day of hearings, the Subcommittee traveled to Helen, Georgia, located in Congressman Ed Jenkin's district. On April 5 the Subcommittee heard from official representatives of the State of Georgia, a representative of the retailing industry, and a variety of workers and business representatives from textile communities in the Southern region. The Subcommittee continued to travel to other towns in Georgia, Alabama, and South Carolina during the Easter district Work Period to meet informally with workers and business representatives involved in the textile and apparel manufacturing industries. On this factfinding mission, the Subcommittee also went on numerous plant tours of both operating and shut-down textile mills and garment factories located in these Southern States.

On July 15, the Subcommittee continued its hearings on textile trade issues and received testimony from a panel of members of the Congressional Textile Caucus, from other Members of Congress, and from various private sector witnesses involved in manufacturing or retailing apparel in the United States.

During the August recess, the Subcommittee traveled to several countries in Asia on a trade mission to discuss current issues in our economic and trade relations, and to promote improved commercial relations with these countries. The possible effects of H.R. 1562 were addressed extensively in the Subcommittee's discussions with foreign government officials as well as with U.S. business representatives resident in China, India, Thailand, Hong Kong, and Japan. In addition to the economic impact of H.R. 1562, countries such as Thailand were concerned about the strategic consequences of actions that would weaken their economies. The Subcommittee went on several plant tours abroad, including a tour of a hosiery and underwear knitwear factory in Japan, and a tour of a cotton textile mill in China.

On September 19, 1985 the Subcommittee on Trade considered H.R. 1562 in a markup session and ordered H.R. 1562 favorably reported without amendment to the full Committee by a voice vote. On Septmeber 23, 1985, H.R. 1562 was reported to the full Committee on Ways and Means.

On September 25, the Congressional Budget Office transmitted to the Subcommittee on Trade a study of the economic effects of H.R. 1562, prepared at the Subcommittee's request.

On September 26, 1985, the Committee on Ways and Means considered H.R. 1562 in a markup session and ordered the bill favorably reported to the House without amendment by a voice vote.

SECTION-BY-SECTION ANALYSIS, JUSTIFICATION, AND COMPARISON WITH PRESENT LAW

H.R. 1562, as ordered reported by the Committee on Ways and Means contains eight sections, as follows:

Section 1. Short title

Section 1 provides that this Act may be cited as the "Textile and Apparel Trade Enforcement Act of 1985."

Under current law, section 204 of the Agricultural Act of 1956 provides the President with authority to negotiate restrictions on textile imports, and to enforce such restrictions.

Section 2. Policy

Section 2 sets forth the two policy objectives of H.R. 1562: (1) to prevent further disruption of U.S. textile product markets, damage to U.S. manufacturers, and loss of U.S. jobs by providing for orderly and nondisruptive growth of imports of textiles and textile products; and (2) to implement the objectives of the Multi-Fiber Arrangement (MFA) by requiring the effective enforcement of import levels contemplated by the MFA.

The current U.S. textile import program is governed by the MFA, an international agreement negotiated under the auspices of the General Agreement on Tariffs and Trade. The MFA went into effect in 1974 and has been extended twice, in 1977 and 1981. It is currently due to expire on July 31, 1986. Article 1 of the MFA states that its basic objectives are "to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries".

Section 3. Findings

Section 3 sets forth 24 Congressional findings concerning the purpose of MFA; the disruptive growth of U.S. textile imports since 1981, particularly in relation to the slow growth of the domestic market; the growth of non-MFA fiber imports; the predominance of imports from major exporting countries; the impact of increased imports on cotton, wool and manufactured textile product markets; the existence of market distruption; the need for import restraints as provided under this Act to avoid further market disruption; the existence of exception circumstances within the meaning of the MFA.

The Preamble of the MFA provides a basis of comparison, at the international level, with these Congressional findings. The Preamble contains certain findings concerning the particular importance of textile production and trade for the economic and social development of developing countries and the expansion and diversification

of their export earnings; the tendency for an "unsatisfactory situation" to exist in world textile trade which has negative effects for both importing and exporting countries and the international trading system; the desire to take cooperative and constructive action on this problem within a multilateral framework; and the desire that such action facilitate economic expansion and promote the development of developing countries by providing larger opportunities for them, especially for new entrants in textile trade.

Section 4. Definitions

(1) "*Textiles and textile products*" includes, but is not limited to, all manmade fibers, tops, yarns, piece goods, madeup articles, garments, and other textile manufactured products (which derive their chief characteristics from their textile components) made in whole or in part from any natural or manmade fiber, or blend thereof, classified under the following tariff schedules:

Sch. 3: Textile fibers and textile products
Sch. 6, pt. 6: Transportation equipment, parachutes
Sch. 7, pt. 1: Footwear, headwear, gloves, luggage, flat goods
Sch. 7, pt. 4: Furniture, pillows, cushions, mattresses
Sch. 7, pt. 5: Fishing tackle, sporting goods, games, dolls
Sch. 7, pt. 7: Fasteners, artificial flowers, trimmings
Sch. 7, pt. 13: Misc. products, leather and fur apparel
Sch. 8, pt. 1: Articles exported and returned
Appendix, pt. 1: Temporary provisions

Under current law, quotas on textile imports only apply to products within the scope of the MFA—products of cotton, wool, or manmade fiber. Article 12 of the MFA states: "textile" is "limited to tops, yarns, piece-goods, made-up articles, garments and other textile manufactured products (being products which derive their chief characteristics from their textile components) of cotton, wool, man-made fibre, or blend thereof, in which any or all of those fibres in combination represent either the chief value of the fibres of 50% or more by weight (or 17% or more by weight of wool) of the product". Certain traditional folklore handicrafts, handloom fabrics and products of the hand-made cottage industry are specifically exempt from the MFA.

The scope of products covered by textile import quotas has been expanded under the legislation for several reasons. When the current textile import program began in 1974, textile imports were predominantly made of cotton, wool, or man-made fiber. In recent years, however, the use of other fibers, such as ramie, linen, jute, and silk, has increased dramatically and caused surges in imported products not subject to control under the MFA. Imports of non-MFA fiber products rose 29% in 1983, to nearly $1.6 billion, and then increased an additional 80% in 1984, to approximately $2.5 billion. Such increases in uncontrolled products have weakened the effectiveness of the current textile import program in providing for orderly, nondisruptive import growth.

Furthermore, imports made of blends of non-MFA fibers and MFA fibers, in such combination as to fall short of classification as to a quota-covered product, have increased significantly. The shift to increased production of non-MFA fibers, particularly in blends, raises serious questions as to whether such blends are a means of

circumventing the spirit of the textile quota program, while staying within the letter of the law. By expanding the definition of textile products to include all natural and man-made fibers and blends thereof, the legislation will bring the spirit and the letter of the law back in line, and eliminate the risk of circumvention of textile quotas through the use of uncontrolled fibers.

Under the MFA, importing countries may currently impose quotas on textile manufactured products "which derive their chief characteristics from their textile components". Under H.R. 1562, import quotas would similarly be imposed on all textile manufactured products "which derive their chief characteristic from their textile components." To demonstrate the breadth of product types covered by this definition, the bill identifies the various tariff schedules under which such products may be classified. The identified tariff schedules cover products ranging from parachutes, to furniture, to sporting goods, to stuffed dolls. Although these manufactured products of textile components are theoretically within the scope of products under the MFA, import quotas under the textile import program have never been imposed on most of them (an obvious exception is luggage). The legislation would mandate import quotas for all such manufactured products if they derive their chief characteristics from their textile components.

(2) "*Category*" correlates to the 3-digit textile category indentification used in the current MFA textile quota program, products not currently under restraint.

Under the current textile import program, quantitative restraints are imposed according to product categories identified by a 3-digit classification. There are presently 108 categories used. The first of the 3 digits identifies the fiber content of the product (300's are cotton products; 400's are wool products; 600's are manmade fiber products). Of the 108 categories, 43 are for textiles (18 cotton, 8 wood, 17 manmade fiber) and 65 are for apparel (23 cotton, 16 wool, 26 manmade fiber). No such categorization exists for products made of fibers not covered by the MFA.

The present system of product categorization is continued to ensure continuity with the current method of monitoring and controlling textile imports. It is expanded under the legislation to reach new product categories not included in the current textile quota program, so that all products subject to quotas under the Act will be monitored and restrained in a consistent manner.

(3) "*Import sensitive category*" includes each category in which the ratio of imports to domestic production equals or exceeds 40% for the preceding calendar year, plus each category of wool products, but does not include any category for textile products from Caribbean region countries. Based on 1984 data, 51 of 108 categories would meet this definition.

There is no such designation under current law. The justification for a separate designation of import sensitive categories is that certain product categories deserve greater protection from import growth, due to the nature of the product or the fact that imports already have a large presence in the U.S. market. The MFA itself recognizes the import sensitivity of wool products, and provides for more restrictive standards regarding wool products. The volume of imports relative to domestic production is also a factor to be used

under Annex A of the MFA in determining whether market disruption exists in a particular product market.

The permanent exclusion of products of the Caribbean region countries from designation as import sensitive categories is an explicit preference for textile imports from these countries. The effect of this exclusion is that imports from the Caribbean region countries will always be allowed 6% annual growth, regardless of the type of product or ratio of imports to domestic production.

(4) "*Country*" includes any foreign country, foreign territory, or U.S. insular possession, but does not include Canada and the following Member States of the EEC: Belgium, Denmark, England, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands.

Textile imports from 32 countries are currently subject to quotas pursuant to bilateral textile agreeements. These countries are:

Bangladesh	India	Peru
Brazil	Indonesia	Philippines
China	Japan	Poland
Colombia	Korea	Romania
Costa Rica	Macau	Singapore
Dominican Republic	Malaysia	Sri Lanka
Egypt	Maldives	Taiwan
Guatemala	Mauritius	Thailand
Haiti	Mexico	Urugauy
Hong Kong	Pakistan	Yugloslavia
Hungary	Panama	

Bilateral agreements providing for consultations only have been negotiated with these 6 countries:

Czechoslovakia	Malta	Portugal
Jamaica	Nicaragua	Spain

In addition, quotas have been imposed through unilateral action (calls) on these 3 countries:

Israel	S. Africa	Turkey

Textile imports from Canada, Western European countries, Australia, New Zealand, or U.S. insular possessions are not currently subject to any quota or quantitative restraint.

The justification for imposing quotas on all countries except Canada and certain member states of the EEC is that broad country coverage is necessary to ensure orderly, nondisruptive growth of imports. The current system of administrative quotas under the MFA is a reactive one--quotas are not generally imposed until after a country's textile exports have caused disruption in the U.S. market. As new countries develop textile industries and begin exporting to the United States, or diversify into new textile product categories, new surges of imports occur and may disrupt the U.S. market. By bringing all countries immediately within the scope of the textile quota program, the shifting of import growth from country to country will be prevented, and imports from all countries will be allowed to grow in an orderly, nondisruptive fashion.

The exclusion of Canada and the members of the EEC is based on the special relationship that exists with these countries in the area of textile trade. The United States, Canada, and the EEC all have developed economies, and textile industries which are similar in their wage structure, levels of technology, and lack of unfair

trading practices. There is a substantial amount of two-way trade in textile products with these countries. Furthermore, the United States has never treated Canada or the EEC as an exporting country under the MFA, and therefore we have never imposed quotas on any textile products from these countries.

The Committee recognizes that there may exist other special relationships with other countries that warrant different treatment. For example, the free trade arrangement that was recently negotiated between the United States and Israel is a new type of bilateral agreement designed to liberalize and promote increased trade between our two countries. The provisions of H.R. 1562 are not meant to undermine that agreement or its underlying policy objective. The inclusion of all countries except Canada and the EEC in the scope of legislated textile quotas is necessary, however, to achieve the goals of this legislation and to provide for its effective enforcement.

In addition to foreign countries and foreign territories, the definition of "country" includes U.S. insular possessions. Import quotas will only apply, however, to those U.S. insular possessions which are outside the customs territory of the United States. Insular possessions such as Puerto Rico are, under current law, inside the U.S. customs territory and therefore, for customs purposes, treated as part of the United States. This legislation would not change current law in that respect, but would only impose import quotas on U.S. insular possessions outside the U.S. customs territory.

(5) *"Major exporting country"* is any country subject to the Act which supplied 1.25% or more of total U.S. textile product imports during 1984 (except: any country in the Caribbean region).

The graduation provision in section 5(a) however, further provides that, after 1984, any exporting country (other than a country in the Caribbean region) which supplies 1.25% or more of total U.S. textile product imports in any calendar year, shall be considered a major exporting country for all succeeding years.

There is no such legal designation under current law. There is, however, common reference to the "Big Three", meaning Taiwan, Korea, and Hong Kong, whose total exports accounted for 47% of U.S. textile imports in 1984 by dollar value, and 35% of U.S. textile imports by square yard equivalents (SYE). The bilateral agreements with each of the "Big Three" are 6-year agreements which expire December 31, 1985, and provide for average annual growth of 1%. A 5-year agreement with China, the fourth largest supplier, also expires on December 31, 1987 and provides for average annual growth of just under 4%.

Furthermore, the MFA does provide for discriminatory treatment among suppliers of textile exports, and specifically encourage greater access to foreign markets for small suppliers and new entrants. This aspect of the MFA is in recognition of the importance of textile exports to the development of developing countries, and the need to ensure larger opportunities for these countries.

(6) *"Country in the Caribbean region"* includes Mexico and any country eligible for designation as a beneficiary country under the Caribbean Basin Economic Recovery Act.

There is no preference or special designation for textile imports from Caribbean region countries under the current textile quota

program. Furthermore, MFA textile products are exempt from duty-free treatment under tariff preference programs, such as the Generalized System of Preferences, and the Caribbean Basin Economic Recovery Act (CBERA).

This legislation provides a special designation for imports from Mexico and CBERA-beneficiary countries to allow preferential treatment of their textile products in the statutory scheme of import quotas. Many U.S. companies are involved in joint production operations in Mexico and the Caribbean, and this preferential treatment will allow greater access to U.S. markets for these companies' products.

(7) "*Wool product*" means any article containing over 17% by weight of wool. Current law provides for the same definition.

(8) "*Exporting country*" means a country other than a major exporting country. There is currently no legal designation of "major exporting country" versus other "exporting country".

(9) "*Entered*" means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States. This is the same definition as under current law.

(10) "*Imported*" means entered, which is the same as under current law.

(11) "*Multi-Fiber Arrangement*" means the Arrangement Regarding International Trade in Textiles, as extended by the Protocol done at Geneva, December 22, 1981. This is the same definition as under current law. The Multi-Fiber Arrangement is due to expire on July 31, 1986.

Section 5. Import quotas

The bill establishes a permanent statutory scheme of import quotas for each individual product category from each affected supplier country. Different formulae would apply to determine the permissible levels of imports in any specific product category, depending on whether the product is from a major exporting country or a smaller exporting country, whether it is a wool product or an import sensitive product, and whether it was subject to a growth rate of less than 6% under the terms of an existing bilateral textile agreement.

Imports in 1985 from major exporting countries would be restricted as follows:

(a) product categories which were (under the terms of a preexisting agreement) limited to less than 6% annual growth would be restricted to the lesser of either (i) 1984 trade levels in that product category, or (ii) 1980 trade levels plus 6% growth per year (compounded rate) for 1981, 1982, 1983, 1984, plus 1% growth for 1985;

(b) wool product categories would be restricted to their 1980 trade levels plus 1% growth per year (compounded rate) for years 1981, 1982, 1983, 1984, and 1985;

(c) other product categories would be restricted to their 1980 trade levels plus 6% growth per year (compounded rate) for years 1981, 1982, 1983, 1984, plus 1% for 1985.

After 1985 the quotas for each product category would be allowed to grow 1% annually.

Imports in 1985 from other exporting countries would be restricted to 15% above the actual level of 1984 imports in each product category, except for import sensitive categories, which would be restricted to 1% above actual 1984 levels. After 1985, the quotas for each product category would be allowed to grow 6% annually, except for import sensitive categories, which would be restricted to 1% annual growth.

Under current law, import quotas are set administratively, either in accordance with the terms of bilateral agreements or pursuant to unilateral action taken under MFA guidelines. There are in effect at present 1,258 restraints (in the form of specific limits, designated consultation levels, and minimum consulation levels) on various MFA textile products from 37 countries.

Current legal authority for imposition of quotas on imports of textiles and textile products is based on Section 204 of the Agricultural Act of 1956. Section 204 authorizes the President to negotiate agreements with foreign governments to limit their exports of agricultural or textile products to the United States. Under this provision, the United States has negotiated and entered into 32 bilateral agreements setting specific quotas on various textile products, and 6 bilateral agreements providing for consultations on textile exports.

In addition to the specific limits contained in each bilateral agreement, additional restraints have been imposed through unilateral action. Under Article 3 of the MFA, an importing country may impose restraints unilaterally when imports of a particular product from a particular country are causing market disruption. Annex A of the MFA equates market disruption to the existence of serious damage to domestic producers or actual threat thereof, and identifies factors to be considered in determining the existence of market disruption. Prior to unilateral imposition of a restraint, however, the importing country must make a consultation "call" to the exporting country.

Although import quotas already exist in some form for a number of textile products, the present system of administrative quotas has not been effective in controlling the growth of textile imports in the U.S. market, and preventing market disruption. The present system is reactive, imposing restraints after damage to domestic producers has already taken effect. It is not comprehensive, and therefore the threat of new surges in uncontrolled categories or from uncontrolled countries is ever present.

By changing the import quota system to one that is permanent, nondiscretionary, and comprehensive in both product coverage and country coverage, the legislation will achieve the MFA objective of orderly, nondisruptive import growth, and at the same time promote the economic recovery of the U.S. textile and apparel industry and its workers.

Under subsection 5(c) of H.R. 1562, the permissible level of imports in any product category from any country in any calendar year shall never be less than:

(a) 1 million SYEs for categories of yarns, fabrics, made-up, and miscellaneous products, other than wool products;

(b) 700,000 SYEs for categories of apparel other than wool apparel;

(c) 100,000 SYEs for categories of wool products.

There are no specific minimum quantities guaranteed under the current textile import quota program. These particular standards, however, do correlate to the minimum consultation levels included in some bilateral agreements.

The MFA encourages importing countries not to impose restraints on new entrants to the textile market. This legislation's provision for minimum quantities assures new entrants to the U.S. textile market that they will always enjoy a certain minimum level of access to U.S. markets. Countries which have no historical market share in the U.S. textile market and therefore have no historical base for calculating import quota, will not be prevented from participating in the U.S. market.

Under subsection 5(d), the Secretary of Commerce is required to prescribe such regulations governing the entry, or withdrawal from warehouse, for consumption of textiles and textile products as may be necessary to carry out this Act.

Under current law section 204 of the Agricultural Act of 1956 authorizes the President to issue regulations governing the entry of textile products subject to quantitative restrictions. This authority has been delegated to the Secretary of Treasury, who oversees the Customs Service, and is generally charged with responsibility for enforcing import controls.

The implementation of the current textile quota program, however, is carried out by the Deputy Assistant Secretary of Commerce for Textiles and Apparel, who acts as chairman of the interagency Committee for the Implementation of Textile Agreements (CITA), and heads the Office of Textiles and Apparel in the Department of Commerce.

Section 6. Import licensing

The bill requires the Secretary of Commerce, within 6 months of enactment, to establish and administer an import licensing system under which an importer of any textiles or textile products (including imports from Canada and the EEC Member States) will be required to present an import permit as a condition of entry. The Secretary of Commerce is further required to charge a fee for import lecenses in such amount as may be necessary to cover the cost of administration of the system.

Imports of textiles and textile products from 25 countries are currently required to be accompanied by a validated export license or visa from the government of the exporting country in order to enter the U.S. customs territory.

The requirement of section 6 is designed to provide an effective means of enforcing the import quotas imposed under the Act. By requiring an import permit issued by our Goverrnment as a condition of entry, the U.S. Government will be able to monitor all shipments of textile imports and enforce strictly the quantitative limitations set by the bill. The risk of overshipment will be avoided, and the reliance on foreign governments to honor our restrictions will no longer be necessary. Including Canada and the EEC under this requirement is necessary to ensure that textile imports from these countries are in fact from these countries, and are not merely transhipments from another country of origin.

Section 7. Annual report

The bill requires the President to submit to Congress by March 15, 1986, and by March 15 of each succeeding year, a report on the administration of the Act during the preceding calendar year.

The President is currently required, under section 163(a) of the Trade Act of 1974, to submit to Congress an annual report on the trade agreements program, but is not specifically required to report on the textile quota program.

Section 8. Effective date

The provisions in the bill shall apply to all textiles and textile products entered after date of enactment. If imports entered between January 1, 1985 and the date of enactment in any product category exceed the import quota for 1985 under the Act, then the 1986 quota for that product category would be reduced by the amount of 1985 excessive imports.

VOTE OF THE COMMITTEE IN REPORTING OF THE BILL

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the Committee in reporting the bill: H.R. 1562 was ordered favorably reported by the Committee on Ways and Means without amendment by a voice vote.

OVERSIGHT FINDINGS

In compliance with clause 2(b)(1) of rule X and clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee conludes, on the basis of hearing testimony, discussions among Members, and review of the operation of the current textile import control program and of recent market trends in textiles and textile products, that additional legislation is necessary to provide for the orderly growth of textile imports and to promote the recovery of the U.S. textile industry and its workers.

With respect to clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

BUDGETARY AUTHORITY AND COST ESTIMATES, INCLUDING ESTIMATES OF THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 7(a) of rule XIII and with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 1562, as reported, does not provide new budget authority of any new or increased tax expenditures.

In compliance with clause 7(a) of rule XIII and with clause (2)(l)(3) (B) and (C) of rule XI of the Rules of the House of Representatives, the Committee states that it agrees with the information furnished by the Congressional Budget Office on H.R. 1562 as reported, which is provided below:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 26, 1985.

Hon. DAN ROSTENKOWSKI,
Chairmain, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared this cost estimate of H.R. 1562, the Textile and Apparel Trade Enforcement Act of 1985, as ordered reported by the Committee on Ways and Means on September 26, 1985.

The bill would establish a series of quotas on imports of all textiles, apparel, man-made fibers and textile products, except for those imported from Canada and the European Economic Community. The Congressional Budget Office has prepared a staff working paper on the impact of H.R. 1562, entitled, "Protecting the Textile and Apparel Industries." Copies of this paper have been sent to your office.

Because the bill would restrict imports, it would reduce the level of customs duties. We estimate the budgetary effects of the bill to be

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989	1990
Changes in customs duties: Gross effects	−356	−429	−508	−599	−702
Changes in Federal Government revenues: Net effects after offsetting income tax changes	−267	−322	−381	−449	−526

If you have any questions, please call me or you may wish to have your staff contract Kathleen O'Connell of the Tax Analysis Division (226–2680).

With best wishes.

Sincerely,

RUDOLPH G. PENNER,
Director.

INFLATIONARY IMPACT STATEMENT

With respect to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 1562 would have a negligible inflationary impact on prices and costs in the operation of the general economy, based on analyses provided to the Committee by the Congressional Budget Office.

DISSENTING VIEW OF HON. DAN ROSTENKOWSKI, CHAIRMAN, COMMITTEE ON WAYS AND MEANS

It is with a great deal of reluctance that I must register my opposition to H.R. 1562 as reported by the Committee on Ways and Means. I recognize the serious plight of the textile and apparel industry. I am greatly disturbed by the severe dislocations which our staggering trade deficit has caused to this and other sectors of the economy.

However, I do not believe that the appropriate solution to this problem is to erect permanent and rigid import barriers solely for the purpose of insulating ourselves from international competition. Rather, I believe the answer lies in adopting a more sensible set of policies to attack the underlying causes of our trade deficit.

First, we must reduce the value of the dollar through fiscal and monetary policy. Without such action, American industries cannot survive in the world market.

Second, we must adopt tough, unyielding measures against foreign market barriers and foreign unfair trade practices. These barriers and practices are having a far more pervasive effect on U.S. industries than most economic "experts" or the current Administration concede. We need new laws which will force these countries to change their practices or face similar treatment from the United States.

Third, we need a consistent, well-orchestrated trade policy, and a strong central voice within the Administration to impose such a policy.

The combination of these basic changes in U.S. economic and trade policies will have a positive and long-term effect on all industries now suffering from today's trade problems. To single out one sector for preferential and highly protectionist treatment will simply make it more difficult to solve these problems on a comprehensive basis. It is not a wise economic policy and, although it may bring some marginal benefits to the textile and apparel sector, studies show that it will have an overall adverse impact on employment, productivity and growth.

Despite my opposition to this legislation, I consider it an obligation of the Committee on Ways and Means to provide an opportunity to the membership of the House to vote and register its views on trade legislation which has gained over two-thirds of the House membership as cosponsors. But I also have an obligation to indicate why I believe it is incumbent upon this Committee to formulate more constructive trade legislation.

I trust that the Committee on Ways and Means will act this year to carry out the changes I have outlined above, and to bring under control the massive hemorrhage in our trade balance. The present Administration has shown itself to be insensitive to this macroeconomic problem and to the localized damage which it has caused to

the textile and apparel industry. Although I oppose this legislation, I want to assure its sponsors that, if it is defeated, I will work with them to formulate a sensible response that will enforce existing textile agreements, regulate unfair trade practices, and bring down the value of the dollar so that they are not threatened with extinction by foreign competition.

DAN ROSTENKOWSKI.

DISSENTING VIEWS OF HON. SAM M. GIBBONS, CHAIRMAN, AND HON. PHILIP M. CRANE, RANKING MINORITY MEMBER, OF THE SUBCOMMITTEE ON TRADE

Passage of this legislation is a mistake. It's an honest mistake, but the history of our country is full of honest mistakes made by well-intentional people. In 1930, two well-intentioned members of Congress, Senator Smoot and Congressman Hawley, sponsored a trade bill that triggered an avalanche of protectionism, crippled our economy, and proved to be the biggest legislative mistake of this country's economic history. Let's not make the same mistake twice.

As Chairman of the Subcommittee on Trade, I scheduled action on this bill, despite my strong objections to it, because over two-thirds of the Members of the House signed their names to it. Becoming a cosponsor of a bill is supposed to indicate that a Member fully understands the bill and its effects, and is committed to its enactment into public law. When over two-thirds of the Members of the House are so committed to a piece of legislation, it deserves a fair set of hearings, and an opportunity for the cosponsors to cast their votes and be responsible for its enactment. It is now our responsibility, as Chairman and Ranking Minority Member of the Subcommittee, to point out why enactment of this legislation is a mistake.

This bill, entitled the Textile and Apparel Trade Enforcement Act of 1985, is not, as its name would lead one to believe, merely "enforcement" legislation. It does not enforce our rights under the Multi-Fiber Arrangement—to the contrary, it blatantly violates the MFA as well as the 38 bilateral textile agreements currently in force. Furthermore, it flagrantly disregards our longstanding commitments to the General Agreement on Tariffs and Trade and to a global system of free and fair trade. It would make the United States an outlaw in the world trading system at a time when we are trying to get the rest of the world to "play by the rules."

Supporters of this legislation urge that it's necessary to "send a message" to our trading partners. Yes, it will send a message—it will tell all our trading partners that we don't care about multilateral agreements or bilateral agreements, that we don't care about the future of the world trading system—we're willing to throw all that away just to provide increased protection to one particular industry in the American economy that already enjoys more protection from imports than any other industry.

The textile industry in this country has enjoyed government-sponsored protection from imports since 1957. For 28 years, this industry has had voluntary restraints, negotiated restraints, specific limits, consultation limits, and call mechanisms. It even has its own multilateral agreement excusing it from noncompliance with the GATT. And every few years, the protection grows wider, and

deeper. First it was cotton, then cotton, wool and manmade fiber—now, with this bill, it's all fibers. First it was fabric, then apparel—now, with this bill, it's everything from stuffed armchairs to stuffed teddy bears. First it was temporary quotas to allow for adjustment—now it's mandatory quotas providing permanent protection. Yet despite the breadth and depth of protection, the industry keeps coming back for more.

The United States has a long history of developing friendly relations with other countries in the world. We have worked long and hard at building bonds with countries who are willing to support our fight for democracy and freedom, and hold the line against Communist aggression in the world. This legislation strikes at the very heart of some of those countries, and threatens to unravel these binding ties of political and military security we have worked so hard to develop.

Furthermore, this legislation will place the United States in a hypocritical position in our international economic relations. How do we say to countries, like China, "you must buy our high-technology goods, but we won't buy your textiles?" How do we say to countries, like Brazil, who are overburdened with debt, "you must export, just don't export to us"? How do we say to countries whose markets we are trying to get into, "you must open your markets, but we are going to close ours"?

This legislation is bad economics as well as bad politics. A study of the economic effects of this legislation by the Congressional Budget Office confirms that the import quotas imposed by the bill will raise prices of all textile products, cost consumers anywhere from $1.4 billion to $6.9 billion in the first year alone, lose federal government revenues of approximately $1 billion over the next three years, and ultimately lose more jobs than it saves. Jobs in the domestic textile industry will be artifically preserved at the expense of jobs in other manufacturing industries, at the expense of jobs in export industries, at the expense of jobs in agriculture, at the expense of jobs in service industries, at the expense of jobs in industries who become victims of foreign retaliation. Why should Congress protect jobs in one industry if it means sacrificing jobs in many other industries?

There is no doubt that workers in the textile and apparel industry in this country are facing some tough times. Numerous plant closings, particularly in the past year, have placed great strains on many families of textile workers. The impact of plant closings in this industry are intensified by the fact that many textile mills are located in small, rural communities. The textile mill is often the chief source of employment and tax revenues for these towns. When the mill closes, the whole community is impacted. The normal process of structural adjustment—of finding jobs in another plant, or another industry, or another town—is very difficult and painful for these workers and their families. But the appropriate Congressional responses to deal with these very real problems of very real people is an effective, well-run trade adjustment assistance program, not across-the-board protectionism.

Perhaps the best reason to oppose this legislation is that it will not achieve what it hopes to achieve. It will not help the U.S. textile industry, or any other industry, with its trade problems. At the

root of this country's trade problems is an overvalued dollar, fueled by a bloated fiscal dificit that in unprecedented in our nation's history. The only way to provide meaningful relief to the textile industry, and to all industries facing international competition, is to reduce the federal budget deficit, lower the value of the dollar, and aggressively fight against unfair foreign trading practices. Outright protectionism serves no one's best interests.

SAM M. GIBBONS.
PHILIP M. CRANE.

ADDITIONAL DISSENTING VIEWS

We strongly oppose H.R. 1562, the Textile and Apparel Trade and Enforcement Act. It represents protectionism in its worst form for an already highly protected industry—an industry that has had problems related to its restructuring but is nevertheless strong and increasingly competitive. The bill carries a multi-billion dollar price tag for American consumers and threatens billions of dollars in U.S. exports to the Far East. Aimed squarely at our Asian trading partners, the legislation is discriminatory because it exempts Canada and the European Community although textile and apparel imports from those areas have increased more dramatically than elsewhere. Countries of strategic as well as economic importance to the U.S., such as Thailand, would have their textile exports rolled back 64 percent under the bill. Countries deep in debt to the U.S., like Brazil, would be cut an 81 percent. Also, as a clear and unilateral violation of GATT and the Multifiber Arrangement (MFA), the bill would doom any prospect for an effective renewal of MFA when it expires next year and would also seriously undermine launching the Reagan Round of trade negotiations anytime soon. How can such a bill be described as good trade policy, good economic policy, good foreign policy? To the contrary, H.R. 1562 poses a broad threat to U.S. interests at home and abroad and should be rejected.

The textile industry is one of the most protected industry in the United States and has held that enviable position for at least twenty years—at a significant cost to the economy as a whole. High tariffs, averaging 22.3 percent compared to an average tariff of less than 5 percent for all other industries, generally have offset the labor advantage of foreign production. Yet tariffs are only the beginning of the protection now enjoyed by this industry. Approximately eighty percent of all textile and apparel imports from low-cost suppliers are now under quota restraints. More than 1,000 negotiated quotas cover well over 2,000 items of textiles and apparel. In addition, textile products not under quota are subject to "calls" and negotiated restraints if growth rates become at all significant. More than 100 "calls" have been made on non-quota items since the beginning of this year alone. Over 300 new quotas have been put in place over the last four years.

Has this industry uniquely suffered? Is it on the brink of disaster so as to justify massive protectionism? Since the peak years of 1979, production for the domestic market has declined only about 4 percent, even though imports increased about 52 percent. Still, imports represent less than 20 percent of the market. Real output of textiles has increased by 1 percent and real output of apparel by 5 percent over the same period. Employment figures also bear closer examination. From 1974 to 1984, employment declined 22 percent in the textile area and 12 percent in the apparel area. However,

figures for production workers tell a somewhat different story. In 1974, there were about 842,000 production workers in textile mills and 1,175,000 production workers in apparel mills. In 1984, those figures were 651,000 and 1,017,000 respectively. A logical and necessary shift to more automation, especially in textile products, and trimming the fat off the management end seem to be a more justifiable explanation for reduced employment than imports. Overall employment increased from 1983 to 1984, and the industry as a whole compares favorably with many other industries that face tough import competition.

Other industries that have felt significant import penetration have received only modest relief. In 1983, the import to consumption ratio was 29% for autos, 22% for carbon steel, 50 percent for motorcycles and 20% for specialty steel. By comparison the import to consumption rate was 1.4% for yarns, about 18% for apparel, and 6.4% for household and industrial textile products. These figures include the developed countries not covered by the bill. In 1983, the big three—Hong Kong, Taiwan and Korea—had an import consumption ratio of less than 18%. Yet, the textile industry that is still slow to modernize (only 30% of the looms in the U.S. are of the modern shuttleless variety) is asking for massive rollbacks in imports, a significant expansion in the number of products under quota and a burdensome licensing procedure contained in H.R. 1562.

Someone, of course, will be expected to pay for the benefits this legislation extends to the textile industry. The Council of Economic Advisors estimates that H.R. 1562 would cost the consumer $14 billion per year at the wholesale level $28 billion at the retail level, averaging $450 per family in America. Low income consumers would be hardest hit as always. Each job saved in the textile industry would cost the consumer $140,000. The bill could expose U.S. exports to $4.9 billion in foreign retaliation.

It has become fashionable to ignore the possibility of retaliaton. Yet retaliation has occurred in the past and likely will occur again if this bill is passed, if not in the form of direct action in response to the bill then surely in a de facto manner as economies slump from the rapid decline in textile export sales. How can countries slowly following the U.S. out of recession continue to buy U.S. products if we enact protectionist legislation that sharply reduces their foreign exchange? The twelve major textile exporting nations targeted by this bill bought $33 billion in U.S. goods, last year, including American soybeans, wheat, aircraft, semiconductor and aircraft parts, cotton and tobacco.

The U.S. textile industry knows very well the value of export markets. Mexico, although a major textile exporter to the U.S., is treated very generously in H.R. 1562 primarily because one half of textile products exported from the U.S. go to Mexico for assembly. Canada and the EC are big export markets for U.S. fabric, yarns and fiber producers. Although completely exempted from the bill's restrictions, and from any existing quotas, Europe and Canada are as much of a problem as Asian countries. Imports from Europe rose by 70 percent in 1984 and from Canada by 85 percent. In short, the bill protects the export markets of the textile and apparel industry

while seriously threatening the export markets of other U.S. industries.

Finally, we should not underestimate the importance of the U.S. market to the health and welfare of our important allies in Asia. The drastic cutbacks in an industry that forms the backbone of many developing countries can easily destroy already shaky economics. The consequences for political stability should be clear. One need only remember the recent coup attempt in Thailand—primarily the result of the downturn in that economy—to recognize how much political stability and economic stability go hand in hand. As a front-line force against communism, and with its borders threatened daily, Thailand's strategic importance to the U.S. should bring dependable economic and political support from out country—not calls for massive rollbacks in their textile export here. The same can be said for South Korea and the Philippines where the bill would cut textile exports by 35 and 21 percent respectively.

H.R. 1562 should be defeated. It cannot be justified in terms of the health of the industry, our economic interests, our export interests or our foreign policy interests. It is a further crutch for an industry that has had intensive physical therapy and should by now be in learning to walk on its own. The legs of other U.S. industries should not be broken in this process, and our allies should be support of their efforts to regain the health of their economies. We urge our colleagues to vote no on H.R. 1562.

BILL ARCHER.
PHILIP M. CRANE.
BILL FRENZEL.
BILL GRADISON.
HAL DAUB.

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